

Choosing a Business Consultant

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Factsheet

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Properly selecting a business consultant (or business advisor) is not easy. But since the cost associated with a poorly selected business consultant can be high, the payoff of taking the time to make a good choice is a good investment.

THE ROLE OF THE BUSINESS CONSULTANT

The role of a business consultant is to supplement your knowledge so you can make sound, informed decisions. Understanding this is critical to creating a good working relationship that achieves desired results. Although the consultant provides advice, you are responsible for the final decisions.

DEFINING THE WORK

It is easier to select a business consultant if you know what results and "deliverables" you want. Deliverables are the components of the finished product (the plan) that you expect the consultant to complete. Clearly state what needs to be done. Specify what you expect to be produced (e.g. a business plan). This initial effort will save time.

FINDING A BUSINESS CONSULTANT

1. Ask around

Word of mouth is often the best way to obtain the names of qualified consultants. With succession planning, your existing advisors may have the names of other business consultants they have worked with.

2. Use lists of qualified consultants

Websites of various professional organizations, colleges, universities and government agencies list qualified business consultants. You can find a list of Ontario farm business advisors and lists of agricultural business planning consultant organizations at www.ontario.ca/agbusiness.

CHECKING RÉSUMÉS AND REFERENCES

Ask for a résumé; then check with at least two references or clients.

Questions to ask references

- Specifically ask what the consultant did. Was this work similar to the work you want the consultant to do for you?
- Ask if they were satisfied with the business consultant's work. If not, ask why.
- Ask in-depth questions about the consultant's work. This may trigger memories of problems or concerns they may have had with the consultant.

INTERVIEWING THE CANDIDATES

Narrow the list, then meet with each candidate before making your final selection. Do not just rely on the proposal or quote. During each interview look for individuals who recognize your needs and demonstrate sound knowledge of the industry and your situation.

Personally meet the candidates

A face-to-face meeting is preferred; only use a telephone interview if necessary. Below are sample questions to help you determine his/her expertise.

Interview questions

Many consultants specialize. Choosing a consultant with the exact area of expertise you want can increase the quality of the work and may reduce the cost. Find out:

- What is their area of expertise? Does it match what you want them to do?
- Has the consultant ever completed a business plan?

- Has the consultant done similar work with business plans for other clients?

Many consultants have education in accounting, business management, agriculture, commerce, finance or economics. Find out:

- What is their experience and education?
- How many years of experience do they have?
- Are they a member of a consulting or professional organization?
 - If yes, which one and for how long?
 - If no, does the consultant have a level of education and experience that is necessary to get the job done?

Choosing a business consultant who is knowledgeable about the industry will improve the quality of the result, and decrease the amount of time needed to achieve the result. Find out:

- What is the consultant's knowledge of the industry?
- Has the consultant worked in the industry?
- Does the consultant personally know the industry players?

Pick a consultant with whom you feel comfortable

Since you will be spending a lot of time with this person, a trusting and credible relationship is critical.

Choose a consultant with whom you can communicate

Both parties must be open and straightforward with each other to gain the maximum benefit.

WRITING THE CONTRACT

Normally, the service provider (the business consultant) prepares the contract (also referred to as the proposal or "letter of engagement" for services), not the client. It is important that you are familiar with what is in this document. A properly written contract clearly states who is responsible for what and helps prevent unpleasant surprises. When you and the consultant sign a contract or letter of engagement, you are both part of a legal agreement.

Ask specifically for everything you want from the consultant

If you don't ask for it, you may not get it. Specify everything you expect the consultant to deliver or produce.

Develop a specific action plan and time line

Outline what you want the consultant to do, when it will start and end and how much will it cost. These are the requirements for a proposal.

Define who will do the work

Identify in the contract whom the consultant will work with and who will do the work, including associates, other companies or other experts.

Specify who owns the work

Identify who owns what the consultant produces, what level of confidentiality is expected, and how information is to be released, if at all.

Specify reporting requirements

Specify when, how, and where reports will be delivered to you. You may want to receive interim reports as well as a final report.

Specify the payment arrangement

The consultant may be paid either a flat fee or an hourly rate for services. The consultant may ask for a deposit up front and progress payments. Ensure that the consultant's duties are completed and invoices are paid in a manner as specified in the contract. While it is important that the consultant is paid in a timely fashion, be sure not to pay in full until the consultant's duties are completed.

Include provisions for non-performance or unforeseen circumstances

Identify what you consider to be non-performance and the consequences of non-performance. It is important to reserve the right to terminate the contract in the event of non-performance or other unforeseen circumstances.

DETERMINING THE COST OF THE SERVICES

Cost is important when selecting a consultant.

Negotiate the price

The price the consultant quotes may be negotiable. If possible consider quotes from more than one consultant. All invoices and quotes should be itemized for easy identification and tracking. Note that

consultants should **not** charge you for their costs before you enter into a contract with them (e.g., their time to prepare their proposal or to attend meetings to discuss their ideas with you).

Interim payments

The consultant should provide you with a schedule for payment. Any payments during the course of the work are interim payments. If interim payments are requested in the proposal, make arrangements to allow for these payments. There may be breaks in the flow of work, (i.e. where a decision has to be made prior to continuing; or payment for hiring outside experts).

Final payment

Ensure that the work is finalized as specified in the contract before making a final payment. Trying to get someone to complete work on a contract after they are paid in full is more difficult.

OTHER CONSIDERATIONS

Below are some additional items to consider when selecting and hiring a consultant.

Does the consultant carry Errors and Omission (E & O) Insurance?

Insurance protects you and the consultant. If he/she values his/her clients business E & O Insurance is highly recommended. Ask for proof of this insurance.

Does the consultant carry Commercial Liability Insurance?

While not necessarily applicable, this insurance is to protect you and the consultant in case physical damage is done to your business by the consultant. Ask for proof of this insurance.

Stay involved in the project

Although you have hired a consultant, you are still responsible for the project. This Factsheet outlines the process of working with a business consultant as having a clear end goal will help determine your needs.

REFERENCES

Appendix B: Guidelines on Selecting a Consultant, *The Planning and Assessment for Value-Added Enterprises (PAVE) Program*. Agriculture and AgriFood Canada. 2004

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